

Plan Provides Families With a \$5,000 Tax Credit Per Student to Offset Tuition Costs

Bethpage, NY— Thursday, U.S. Rep. Steve Israel (D-NY) joined college students and their parents to announce new legislation to ease the burden of rising college costs.

“I, like many other parents of college-age students, just received my kids’ tuition bills.” said Rep. Steve Israel. “College costs are skyrocketing and the burden is becoming unbearable for many families. Public university prices have increased 80 percent over the last decade. In today’s economy, college is a necessity, but it’s priced like a luxury. By offsetting tuition costs with tax credits, we can make college affordable again.”

Under Israel’s legislation, families earning up to \$200,000 will receive a \$5,000 credit toward the costs of college tuition, fees and books. Families would receive a non-refundable credit equal to 50% of the first \$10,000 they pay in college tuition for up to four years per student. This credit would replace and expand existing tax credits and deductions. Current tax credits, including the Hope Credit and the Lifetime Learning Credit, are capped at \$2,000 a year or less and only apply to families earning less than \$114,000 per year.

Today, a middle class parent sending two kids to a state college faces, on average, more than \$100,000 in bills. In 2006-2007, the average bill for just one year of tuition, fees, room and board at a public university was \$12,796, and for private schools, the annual average college bill was \$30,367. Among families who save for college, the median total amount saved is about \$10,000 – not enough for even one year’s bill.

Students today are also borrowing more than ever. In 1993 fewer than half of students graduated with debt. Today, two-thirds graduate in debt with the average student debt exceeding \$19,000.

Jon L. Ten Haagen, a certified financial planner, says parents should start saving for their child’s education as quickly as possible, “Ideally parents should start planning once a child is born. If they start when they have 18 plus years to spread out the investment in their child’s future it is not such a daunting task, however, most people have their children and do not have the financial resources to start saving right away. Even if it is only \$50 a month over time with a decent return on your investment it will grow into a very nice nest egg.”

Earlier this year, Israel voted to cut student loan rates. As of July 1, interest rates dropped on subsidized Federal Stafford Loans from 6.8 percent to 6 percent, and the rate will continue to decline over the next five years.

Israel is a member of the House Appropriations Committee.